

Continuing Education Through Other Societies Part III

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My previous articles on Continuing Education Through Other Societies have concentrated largely on courses that I have taken from the American Society of Farm Managers and Rural Appraisers (ASFMRA) (Newsletter, June 1999, November 1999). This has not been entirely due to my selection based on content. In my last article I expressed my frustration at the cancellation of two courses by the American Society of Appraisers (ASA) for which I had signed up. I also mentioned that I found the courses by the Appraisal Institute to be overkill for my needs, being twice as long and twice the price of many of the equivalent 3 and 4-day courses offered by ASA and ASFMRA.

In recent months I have succeeded in taking two courses from ASA, which I report on here. I trust that our ASA members, Michael Cartwright and Jeffrey Kern, and maybe one or two of our newer members, have more comprehensive experiences with ASA courses to report on. I encourage them to do so. Still, I expect that my writing from the perspective of the uninitiated to ASA can prove beneficial to our readers.

The secret to taking courses from ASA and not having them canceled out from under you, is to take them at the Hickory Ridge Conference Center in Lisle, Illinois. This is in the northwest Chicago metropolitan area. ASA puts on a number of courses concurrently at this Marriott Hotel about four times per year. They are rarely canceled and quite a few even have guarantees that they will not be canceled due to lack of attendance. My other successful hit was Tyson's Corner, Virginia, where a more modest version of this arrangement occurs, but without the guarantees against cancellation. Both locations were definitely on the expensive end of the spectrum of my accommodation experiences.

The first of the two ASA courses was *Appraisal Report Writing*. This is a recently developed 30-hour course designed for appraisers of all specialties. Most of the ten students were real property appraisers, mainly being rural appraisers, but we also had a business appraiser, an oil and gas appraiser, and an appraiser of machinery and equipment. Deane Wilson, who developed and taught the course, is the President of ASA's real property appraisal section. When I took the course he was preparing to graduate with a Doctorate in psychology. He is one excellent instructor, concentrating on the logic of writing.

He began the first day by getting us to introduce ourselves with a brief synopsis of our backgrounds. Then we went into an analysis of those introductions. The next exercise was to describe a crayon, without using the words *crayon* or *Crayola*. Later exercises included describing a diaper and writing instructions for the construction of a kite. These exercises proved quite challenging and all had a different teaching goal.

Mr. Wilson taught us various ways that people write reports. Then he gave us his recommendations for writing with minimum bias in our descriptions, while using words which cause us to take full responsibility for our work. He emphasized that we should ask the question, "So What?" before and after everything we write. This will result in us writing less while conveying more meaning.

This course proved to be a barrel of laughs as well as highly educational. By the end of the course, the students and instructor had molded into somewhat of a family unit. Many of us have been in contact since then, including with Mr. Wilson.

The second ASA course was *Introduction to Income Capitalization*. This 30-hour course is in ASA's real property appraisal tract. The eleven students were mainly urban and rural real property appraisers. In addition to my colleague and me from the mining industry, another had spent much of his career appraising mining machinery and equipment, and he is now appraising real property for his mining company employer. One student has a career in reviewing appraisals of electricity grids for an electric utility. The level of prior understanding of the course material by the students was scattered all over the spectrum.

The instructor has quite a diverse appraisal background, working in appraisal of real property, businesses, and machinery and equipment. The fact that he loves tackling a wide variety of appraisal assignments definitely showed through. He is a very good instructor, but was obviously somewhat handicapped by rather poor, out-of-date course materials. He told us he is rewriting the course notebook and updating the prescribed textbook. By this time next year I expect the course will be much improved.

I came to the course thinking it would be a very easy one for me to pass. I had NPV analysis taught to me in numerous economics and finance courses two to three decades ago, and after that I had written many thousands of lines of computer code for such analyses. I had already learned direct capitalization ratios in appraisal courses and was applying them in some of my work. The course would surely be covering much of the same old stuff. I was largely right about that, but the perspective from which the course came at that same old stuff was entirely different. It wasn't until after I had been up studying until after midnight on three nights that I felt again that it would be an easy course for me to pass.

The course concentrated heavily on NPV and IRR calculation methods surrounding issues related to sinking funds and capital recovery. It's amazing how many different ways those can be analyzed. I found myself learning a new set of jargon and symbols. I came to realize that methods that I had long discarded as irrelevant can have beneficial applications in certain types of appraisal. This course gave me a fresh perspective on some situations I have been involved in during recent years.

Examples of direct capitalization calculations also fast became complicated. Thrown into the calculations were mortgage amortization, debt coverage ratio, absorption rate, vacancy rate, building residual, etc, etc.

The instructor began the first day by telling us that ASA designs the exams for the real property tract to have a 60% pass rate. After that, there seemed to be a cloud over the class, with most of the

students being quite serious. Occasional attempts at humor by the instructor, my colleague and me didn't raise many laughs at all.

The 3-hour exam was pitched pretty much exactly as he warned. My colleague and I found it quite comfortable, finishing with more than half-an-hour to spare. But 40% of the class obviously had serious difficulty with it.

I flew back to Denver knowing that I have significantly improved my understanding of the foundation and application of various income approach methods in valuation. I felt though that I had derived more from every one of the ASFMRA courses than this ASA real property course. This impression will be at least partially due to reaching a point of diminishing returns after taking many appraisal courses. But, the issues which confront rural appraisers are often the same ones that confront us in the minerals industry. Due to this fact, I could relate better to the ASFMRA course content, instructors and participants.

In this series of three articles I have reviewed eleven appraisal courses that I have taken over an 18-month period. One final test that I can apply to them all is the sleep test. When a course or meeting becomes too dry or boring, I have a proven history of ability to fall asleep. I fell soundly asleep during both days of the 2-day course, *Due Diligence and Valuation of Industrial Minerals*, put on by the Society for Mining, Metallurgy and Exploration (SME). I struggled to stay awake at times during ASA's, *Introduction to Income Capitalization*, but succeeded without once falling asleep. In none of the eight ASFMRA courses did I find any tendency to nod off. It would have been impossible to feel tired during ASA's *Appraisal Report Writing* given by Deane Wilson.